

HOUSE BILL NO. 649

INTRODUCED BY J. COHENOUR

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAXATION OF CLASS EIGHT BUSINESS EQUIPMENT AND REVISING RELATED LAWS; INCREASING THE BUSINESS EQUIPMENT TAX EXEMPTION THRESHOLD TO \$150,000 OF MARKET VALUE; PROHIBITING CLASS EIGHT PROPERTY FROM BEING SEPARATED INTO DIFFERENT BUSINESS ENTITIES FOR DETERMINING WHETHER THE \$150,000 THRESHOLD IS EXCEEDED; LIMITING DISCLOSURE OF TAX IDENTIFICATION NUMBERS OBTAINED IN ADMINISTERING THE EXEMPTION THRESHOLD; PROVIDING REIMBURSEMENTS TO LOCAL GOVERNMENTS, SCHOOL DISTRICTS, TAX INCREMENT FINANCING DISTRICTS, AND THE 6-MILL UNIVERSITY LEVY FOR LOSS OF PROPERTY TAX REVENUE; REVISING THE PROVISIONS OF THE LOCAL GOVERNMENT ENTITLEMENT SHARE PAYMENT; REVISING THE PROVISIONS OF THE SCHOOL DISTRICT BLOCK GRANTS; PROVIDING THAT THE INCREASE IN THE EXEMPTION THRESHOLD OF CLASS EIGHT PROPERTY DOES NOT OCCUR IF CERTAIN LEGISLATION IS NOT ENACTED; REPEALING AN OBSOLETE BUSINESS EQUIPMENT REIMBURSEMENT TO LOCAL GOVERNMENT TAXING JURISDICTIONS; PROVIDING STATUTORY APPROPRIATIONS; AMENDING SECTIONS 7-1-2111, 15-1-121, 15-6-138, 15-10-420, 17-7-502, 20-9-406, 20-9-407, AND 20-9-630, MCA; REPEALING SECTION 15-1-112, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

WHEREAS, eliminating business equipment property taxes for small businesses with \$150,000 or less in equipment reduces their costs and assists them with meeting the economic challenges and uncertainty they uniquely confront; and

WHEREAS, taking approximately 14,000 small businesses off the tax rolls reduces administrative costs for both taxpayers and the Department of Revenue; and

WHEREAS, paying for the cost of eliminating business equipment with revenue raised by requiring nonresidents and out-of-state companies to pay a fair share of taxes on the income they earn in Montana is fiscally responsible and constitutes sound economic policy by using the revenue to help small Montana businesses; and

WHEREAS, reimbursing local governments for reduced property tax revenue is essential to ensuring that they can continue to provide necessary public services to their citizens.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Reimbursement for class eight exemption -- distribution -- local government and school district growth factor -- appropriation. (1) For the exemption threshold amount in 15-6-138, the department shall, by June 1, 2010, for calendar year 2010 estimate for each local government, as defined in 15-1-121(4), each school district, each tax increment financing district listed in 15-1-121(7)(b) or listed or described in subsection (4)(c) of this section, if the tax increment financing district is still in existence as of January 1, 2010, and the 6-mill university levy for the purposes of 15-10-108 the difference between property tax collections under 15-6-138 and the property tax revenue that would have been collected under 15-6-138 as that section read on January 1, 2009. The difference is the reimbursable amount for each local government, each school district, each tax increment financing district, and the 6-mill university levy for the purposes of 15-10-108.

(2) (a) The department shall distribute the reimbursement to local governments for fiscal year 2011 with the entitlement share payments under 15-1-121(6). Local government reimbursements for subsequent years are made pursuant to the entitlement share recomputation as provided in 15-1-121(6).

(b) For fiscal year 2010, the department shall determine from the amount calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on real property for each local government. The department shall distribute the amount determined under this subsection (2)(b) by June 15, 2010.

(3) (a) The office of public instruction shall distribute the reimbursement to school districts for fiscal year 2011 and succeeding tax years with the block grants as provided in 20-9-630.

(b) For fiscal year 2010, the department shall determine from the amount calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on real property for each school district. By June 15, 2010, the office of public instruction shall distribute the entire amount determined under this subsection (3)(b) with the block grants provided in 20-9-630.

(c) The amounts determined under subsection (3)(b) are statutorily appropriated, as provided in 17-7-502, from the general fund to the office of public instruction for distribution to school districts.

(4) (a) For each fiscal year beginning after June 30, 2010, the amount determined under subsection (1) for each tax increment financing district must be distributed to each tax increment financing district listed in 15-1-121(7)(b)(i) and subsection (4)(c) of this section if the tax increment financing district is still in existence with

1 the reimbursement amount provided in 15-1-121(7)(b)(i) and as provided in 15-1-121(7)(b)(ii).

2 (b) For fiscal year 2010, the department shall determine from the amount calculated under subsection
 3 (1) the amount that is attributable to personal property taxes that are not a lien on real property for each tax
 4 increment financing district. By June 15, 2010, the department shall distribute the amount determined under this
 5 subsection (4)(b) to each tax increment financing district listed in 15-1-121(7)(b)(i) and subsection (4)(c) of this
 6 section that is still in existence as of January 1, 2010.

7 (c) The tax increment financing districts for which a reimbursement must be determined under this
 8 subsection (4)(c) and distributed as provided in 15-1-121(7)(b)(ii) are:

9 (i) the following tax increment financing districts:

10	Big Horn	Hardin Tax Increment Financing Industrial District
11	Cascade	Central Montana Agricultural & Technology Park
12	Cascade	Central Montana Agricultural & Technology Park Modification
13	Cascade	West Bank Urban Renewal District
14	Cascade	Great Falls International Airport
15	Cascade	Montana Milling Inc. Industrial Park
16	Cascade	Manchester Exit Industrial
17	Choteau	Tax Increment Financing District 1 (Fort Benton)
18	Deer Lodge	Tax Increment Financial Industrial District #2
19	Flathead	Old School Station Technology
20	Flathead	Old School Station Industrial
21	Gallatin	Northeast Urban Renewal District
22	Gallatin	Mandeville Farm Industrial District
23	Gallatin	North 7th Ave. Urban Renewal District
24	Lake	Polson Down Town
25	Lincoln	Eureka
26	Lincoln	Lincoln Co. Industrial Dist.
27	Missoula	Msla-20-3A Airport
28	Missoula	Msla-20-5A Airport
29	Missoula	Msla 20-3E Technology
30	Missoula	Urban Renewal District II Modification

1 Missoula Front Street Urban Renewal District
 2 Missoula Missoula Riverfront Triangle Urban Renewal
 3 Park Livingston Urban Renewal
 4 Park West End Industrial
 5 Silver Bow East Butte Tax Increment Financing Industrial District #4
 6 Yellowstone East Billings Urban Renewal
 7 Yellowstone Laurel Urban Renewal
 8 Yellowstone South Billings Boulevard URA
 9 Yellowstone Expanded North 27th Street
 10 Yellowstone Modified South Billings Boulevard; and

11 (ii) tax increment financing districts created by resolution adopted by the governing body after December
 12 31, 2008, and before January 1, 2010.

13 (5) (a) For each fiscal year beginning after June 30, 2010, the amount determined under subsection (1)
 14 for the 6-mill university levy must be added to the support of public education institutions as provided in
 15 15-10-108.

16 (b) For fiscal year 2010, the department shall determine from the amount calculated under subsection
 17 (1) the amount that is attributable to personal property taxes that are not a lien on real property for the 6-mill
 18 university levy. By June 15, 2010, the department shall distribute the amount determined under this subsection
 19 (5)(b) for the support of public education institutions as provided in 15-10-108.

20 (c) The amounts determined under this subsection (5) are statutorily appropriated, as provided in
 21 17-7-502, from the general fund to the department for distribution to the Montana board of regents for the support
 22 of public education institutions as provided in 15-10-108.

23 (6) (a) The department shall, by June 1, 2010, calculate a growth proxy for each local government and
 24 school district by converting the percentage difference between each entity's taxable value of class eight property
 25 in tax year 2010 and the taxable value of class eight property in tax year 2009 to a decimal equivalent rounded
 26 to the nearest one-thousandth of a decimal point. The department shall by rule publish the growth proxy for each
 27 local government and school district.

28 (b) The growth proxy for each county must be used as provided in 7-1-2111 for the purpose of
 29 determining county classification.

30 (c) The growth proxy for each school district must be used as provided in 20-9-406 for the purpose of

1 determining school district debt limits.

2 (d) In determining the debt limits and other bonding provisions under 2-9-211, 7-3-1321, 7-7-107,
3 7-7-2101, 7-7-2301, 7-7-4201, 7-13-237, 7-13-309, 7-13-4103, 7-14-236, 7-14-2520, 7-14-2524, 7-16-2327,
4 7-16-2433, 7-16-4104, 7-31-107, 7-33-2109, 7-33-2404, 7-34-2131, 19-18-503, 39-71-403, and 85-9-406, the
5 market value of class eight property of the taxing entity multiplied by the growth proxy must be treated as
6 assessed value under 15-8-111.

7

8 **Section 2.** Section 7-1-2111, MCA, is amended to read:

9 **"7-1-2111. Classification of counties.** (1) For the purpose of regulating the compensation and salaries
10 of all county officers not otherwise provided for and for fixing the penalties of officers' bonds, the counties of this
11 state must be classified according to the taxable valuation of the property in the counties upon which the tax levy
12 is made as follows:

- 13 (a) first class--all counties having a taxable valuation of \$50 million or more;
14 (b) second class--all counties having a taxable valuation of \$30 million or more and less than \$50 million;
15 (c) third class--all counties having a taxable valuation of \$20 million or more and less than \$30 million;
16 (d) fourth class--all counties having a taxable valuation of \$15 million or more and less than \$20 million;
17 (e) fifth class--all counties having a taxable valuation of \$10 million or more and less than \$15 million;
18 (f) sixth class--all counties having a taxable valuation of \$5 million or more and less than \$10 million;
19 (g) seventh class--all counties having a taxable valuation of less than \$5 million.

20 (2) As used in this section, "taxable valuation" means the taxable value of taxable property in the county
21 as of the time of determination plus:

- 22 (a) that portion of the taxable value of the county on December 31, 1981, attributable to automobiles and
23 trucks having a rated capacity of three-quarters of a ton or less;
24 (b) that portion of the taxable value of the county on December 31, 1989, attributable to automobiles and
25 trucks having a manufacturer's rated capacity of more than three-quarters of a ton but less than or equal to 1 ton;
26 (c) that portion of the taxable value of the county on December 31, 1997, attributable to buses, trucks
27 having a manufacturer's rated capacity of more than 1 ton, and truck tractors;
28 (d) that portion of the taxable value of the county on December 31, 1997, attributable to trailers, pole
29 trailers, and semitrailers with a declared weight of less than 26,000 pounds;
30 (e) the value provided by the department of revenue under 15-36-332(7);

(f) 50% of the taxable value of the county on December 31, 1999, attributable to telecommunications property under 15-6-141;

(g) 50% of the taxable value in the county on December 31, 1999, attributable to electrical generation property under 15-6-141;

(h) the value provided by the department of revenue under 15-24-3001;

(i) 6% of the taxable value of the county on January 1 of each tax year;

(j) 45% of the contract sales price of the gross proceeds of coal in the county as provided in 15-23-703 and as reported under 15-23-702; ~~and~~

(k) 33 1/3% of the value of bentonite produced during the previous year as provided in 15-39-110(14) and as reported under 15-39-101; and

(l) the taxable value of property under 15-6-138 multiplied by the growth proxy determined under [section 1(6)]."

Section 3. Section 15-1-121, MCA, is amended to read:

"15-1-121. Entitlement share payment -- appropriation. (1) As described in 15-1-120(3), each local government is entitled to an annual amount that is the replacement for revenue received by local governments for the reduction of property tax base and various earmarked fees and other revenue that, pursuant to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other revenue in the state treasury with each local government's share. The reimbursement under this section is provided by direct payment from the state treasury rather than the ad hoc system that offset certain state payments with local government collections due the state and reimbursements made by percentage splits, with a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending a portion to other local governments. The amount calculated pursuant to this subsection, as adjusted pursuant to subsection (3)(a)(i), is each local government's base entitlement share. The department shall estimate the total amount of revenue that each local government received from the following sources for the fiscal year ending June 30, 2001:

~~—— (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999;~~

~~—— (b) vehicle, boat, and aircraft taxes and fees pursuant to:~~

~~—— (i) Title 23, chapter 2, part 5;~~

- 1 ~~—— (ii) Title 23, chapter 2, part 6;~~
2 ~~—— (iii) Title 23, chapter 2, part 8;~~
3 ~~—— (iv) 61-3-317;~~
4 ~~—— (v) 61-3-321;~~
5 ~~—— (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment~~
6 ~~of 61-3-509 in 2001;~~
7 ~~—— (vii) Title 61, chapter 3, part 7;~~
8 ~~—— (viii) 5% of the fees collected under 61-10-122;~~
9 ~~—— (ix) 61-10-130;~~
10 ~~—— (x) 61-10-148; and~~
11 ~~—— (xi) 67-3-205;~~
12 ~~—— (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);~~
13 ~~—— (d) district court fees pursuant to:~~
14 ~~—— (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);~~
15 ~~—— (ii) 25-1-202;~~
16 ~~—— (iii) 25-9-506; and~~
17 ~~—— (iv) 27-9-103;~~
18 ~~—— (e) certificate of title fees for manufactured homes pursuant to 15-1-116;~~
19 ~~—— (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;~~
20 ~~—— (g) all beer, liquor, and wine taxes pursuant to:~~
21 ~~—— (i) 16-1-404;~~
22 ~~—— (ii) 16-1-406; and~~
23 ~~—— (iii) 16-1-411;~~
24 ~~—— (h) late filing fees pursuant to 61-3-220;~~
25 ~~—— (i) title and registration fees pursuant to 61-3-203;~~
26 ~~—— (j) veterans' cemetery license plate fees pursuant to 61-3-459;~~
27 ~~—— (k) county personalized license plate fees pursuant to 61-3-406;~~
28 ~~—— (l) special mobile equipment fees pursuant to 61-3-431;~~
29 ~~—— (m) single movement permit fees pursuant to 61-4-310;~~
30 ~~—— (n) state aeronautics fees pursuant to 67-3-101; and~~

~~—— (o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77, chapter 1, part 5.~~

~~—— (2) (a) From the amounts estimated in subsection (1) for each county government, the department shall deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by the state in fiscal year 2002.~~

~~(b)(2) The total amount estimated pursuant to subsections (1) and (2)(a) received in fiscal year 2009 as an entitlement share payment under this section is the base component for the fiscal year 2010 distribution, and in each subsequent year the prior year entitlement share payment, including any reimbursement payments received pursuant to subsection (6), is each local government's base year component. The sum of all local governments' base year components is the base fiscal year entitlement share pool. For the purpose of calculating the sum of all local governments' base year components, the base year component for a local government may not be less than zero.~~

(3) (a) The base year entitlement share pool must be increased annually by a growth rate as provided for in this subsection (3). The amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year. By October 1 of each even-numbered year, the department shall calculate the growth rate of the entitlement share pool for each year of the next biennium in the following manner:

~~(i) Before applying the growth rate for fiscal year 2007 to determine the fiscal year 2007 entitlement share payments, the department shall subtract from the fiscal year 2006 entitlement share payments the following amounts:~~

Beaverhead	\$6,972
Big Horn	\$52,551
Blaine	\$13,625
Broadwater	\$2,564
Carbon	\$11,537
Carter	\$407
Cascade	\$100,000
Chouteau	\$3,536
Custer	\$7,011
Daniels	\$143

1	Dawson	\$3,893
2	Fallon	\$1,803
3	Fergus	\$9,324
4	Flathead	\$100,000
5	Gallatin	\$160,000
6	Garfield	\$91
7	Glacier	\$3,035
8	Golden Valley	\$2,282
9	Granite	\$4,554
10	Hill	\$31,740
11	Jefferson	\$5,700
12	Judith Basin	\$1,487
13	Lake	\$38,314
14	Lewis and Clark	\$160,000
15	Liberty	\$152
16	Lincoln	\$3,759
17	Madison	\$8,805
18	McCone	\$1,651
19	Meagher	\$2,722
20	Mineral	\$2,361
21	Missoula	\$200,000
22	Musselshell	\$23,275
23	Park	\$6,582
24	Petroleum	\$36
25	Phillips	\$653
26	Pondera	\$10,270
27	Powder River	\$848
28	Powell	\$5,146
29	Prairie	\$717
30	Ravalli	\$93,090

1	Richland	\$3,833
2	Roosevelt	\$9,526
3	Rosebud	\$19,971
4	Sanders	\$30,712
5	Sheridan	\$271
6	Stillwater	\$12,117
7	Sweet Grass	\$2,463
8	Teton	\$5,560
9	Toole	\$7,113
10	Treasure	\$54
11	Valley	\$6,899
12	Wheatland	\$918
13	Wibaux	\$72
14	Yellowstone	\$270,000
15	Anaconda-Deer Lodge	\$20,707
16	Butte-Silver Bow	\$53,057
17	Alberton	\$675
18	Bainville	\$258
19	Baker	\$2,828
20	Bearcreek	\$143
21	Belgrade	\$11,704
22	Belt	\$1,056
23	Big Sandy	\$1,130
24	Big Timber	\$2,910
25	Billings	\$163,499
26	Boulder	\$2,340
27	Bozeman	\$52,805
28	Bridger	\$1,303
29	Broadus	\$766
30	Broadview	\$258

1	Brockton	\$414
2	Browning	\$1,830
3	Cascade	\$1,374
4	Chester	\$1,430
5	Chinook	\$2,275
6	Choteau	\$3,050
7	Circle	\$1,018
8	Glyde Park	\$572
9	Colstrip	\$4,090
10	Columbia Falls	\$6,805
11	Columbus	\$3,245
12	Conrad	\$4,562
13	Culbertson	\$1,216
14	Cut Bank	\$5,316
15	Darby	\$1,348
16	Deer Lodge	\$5,708
17	Denton	\$503
18	Dillon	\$6,928
19	Dodson	\$194
20	Drummond	\$561
21	Dutton	\$661
22	East Helena	\$2,888
23	Ekalaka	\$689
24	Ennis	\$1,518
25	Eureka	\$1,733
26	Fairfield	\$1,120
27	Fairview	\$1,152
28	Flaxville	\$143
29	Forsyth	\$3,286
30	Fort Benton	\$2,579

1	Fort Peck	\$393
2	Froid	\$328
3	Fromberg	\$855
4	Geraldine	\$457
5	Glasgow	\$5,361
6	Glendive	\$8,099
7	Grass Range	\$254
8	Great Falls	\$96,422
9	Hamilton	\$7,148
10	Hardin	\$5,920
11	Harlem	\$1,422
12	Harlowton	\$1,678
13	Havre	\$16,223
14	Helena	\$45,877
15	Hingham	\$263
16	Hobson	\$397
17	Hot Springs	\$912
18	Hysham	\$482
19	Ismay	\$43
20	Joliet	\$1,006
21	Jordan	\$606
22	Judith Gap	\$263
23	Kalispell	\$28,144
24	Kevin	\$304
25	Laurel	\$10,804
26	Lavina	\$361
27	Lewistown	\$10,170
28	Libby	\$4,475
29	Lima	\$397
30	Livingston	\$12,145

1	Lodge Grass	\$889
2	Malta	\$3,389
3	Manhattan	\$2,485
4	Medicine Lake	\$410
5	Melstone	\$234
6	Miles City	\$14,152
7	Missoula	\$104,264
8	Moore	\$319
9	Nashua	\$536
10	Neihart	\$149
11	Opheim	\$180
12	Outlook	\$125
13	Philipsburg	\$1,612
14	Pinesdale	\$1,413
15	Plains	\$2,007
16	Plentywood	\$3,185
17	Plevna	\$225
18	Polson	\$7,722
19	Poplar	\$1,544
20	Red Lodge	\$3,903
21	Rexford	\$263
22	Richey	\$309
23	Ronan	\$3,262
24	Roundup	\$3,280
25	Ryegate	\$465
26	Saco	\$354
27	Scobey	\$1,798
28	Shelby	\$5,677
29	Sheridan	\$1,150
30	Sidney	\$7,747

1	Stanford	\$737
2	Stevensville	\$3,063
3	St. Ignatius	\$1,367
4	Sunburst	\$709
5	Superior	\$1,521
6	Terry	\$1,011
7	Thompson Falls	\$2,272
8	Three Forks	\$3,130
9	Townsend	\$3,286
10	Troy	\$1,654
11	Twin Bridges	\$695
12	Valier	\$817
13	Virginia City	\$223
14	Walkerville	\$1,183
15	West Yellowstone	\$2,083
16	Westby	\$263
17	White Sulphur Springs	\$1,734
18	Whitefish	\$9,932
19	Whitehall	\$1,889
20	Wibaux	\$893
21	Winifred	\$259
22	Winnett	\$314
23	Wolf Point	\$4,497

24 (ii)(i) The department shall calculate the average annual growth rate of the Montana gross state product,
 25 as published by the bureau of economic analysis of the United States department of commerce, for the following
 26 periods:

27 ———(A) the last 4 calendar years for which the information has been published; and

28 ———(B) the 4 calendar years beginning with the year before the first year in the period referred to in
 29 subsection (3)(a)(ii)(A).

30 (iii)(ii) The department shall calculate the average annual growth rate of Montana personal income, as

published by the bureau of economic analysis of the United States department of commerce, for the following periods:

——— (A) the last 4 calendar years for which the information has been published; and

——— (B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection (3)(a)(iii)(A).

(b) (i) The entitlement share pool growth rate for the first each year of the biennium must be the following percentage of the average of the growth rates calculated in subsections ~~(3)(a)(ii)(B)~~ (3)(a)(i) and ~~(3)(a)(iii)(B)~~ (3)(a)(ii):

~~(A)(i)~~ for counties, 54%;

~~(B)(ii)~~ for consolidated local governments, 62%; and

~~(C)(iii)~~ for incorporated cities and towns, 70%.

(ii) ~~The entitlement share pool growth rate for the second year of the biennium must be the following percentage of the average of the growth rates calculated in subsections (3)(a)(ii)(A) and (3)(a)(iii)(A):~~

——— ~~(A) for counties, 54%;~~

——— ~~(B) for consolidated local governments, 62%; and~~

——— ~~(C) for incorporated cities and towns, 70%.~~

(4) As used in this section, "local government" means a county, a consolidated local government, an incorporated city, and an incorporated town. A local government does not include a tax increment financing district provided for in subsection (6) (7). ~~For purposes of calculating the base year component for a county or consolidated local government, the department shall include the revenue listed in subsection (1) for all special districts within the county or consolidated local government.~~ The county or consolidated local government is responsible for making an allocation from the county's or consolidated local government's share of the entitlement share pool to each special district within the county or consolidated local government in a manner that reasonably reflects each special district's loss of revenue sources listed in subsection (1) for which reimbursement is provided in this section.

(5) (a) The entitlement share pools calculated in this section, the amounts determined under [section 1(2)(b)] for local governments, and the block grants funding provided for in subsection (6) (7), and the amounts determined under [section 1(4)(b)] for tax increment financing districts are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments. ~~Each local government is entitled to a pro rata share of each year's entitlement share pool based on the local government's base~~

1 ~~component in relation to the base year entitlement share pool. The~~ Except for the distributions made under
2 [section 1(2)(b) and (4)(b)], the distributions must be made on a quarterly basis.

3 (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year
4 and the entitlement share pool in the previous fiscal year. ~~For the purposes of subsection (5)(b)(ii)(A), a county~~
5 ~~with a negative base year component has a base year component of zero.~~ The growth factor in the entitlement
6 share must be calculated separately for:

7 (A) counties;

8 (B) consolidated local governments; and

9 (C) incorporated cities and towns.

10 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:

11 (A) 50% of the growth amount must be allocated based upon each county's percentage of the ~~base~~ prior
12 fiscal year entitlement share pool for all counties; and

13 (B) 50% of the growth amount must be allocated based upon the percentage that each county's
14 population bears to the state population not residing within consolidated local governments as determined by the
15 latest interim year population estimates from the Montana department of commerce as supplied by the United
16 States bureau of the census.

17 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as
18 follows:

19 (A) 50% of the growth amount must be allocated based upon each consolidated local government's
20 percentage of the ~~base~~ prior fiscal year entitlement share pool for all consolidated local governments; and

21 (B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local
22 government's population bears to the state's total population residing within consolidated local governments as
23 determined by the latest interim year population estimates from the Montana department of commerce as
24 supplied by the United States bureau of the census.

25 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

26 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's
27 percentage of the ~~base~~ prior fiscal year entitlement share pool for all incorporated cities and towns; and

28 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's
29 population bears to the state's total population residing within incorporated cities and towns as determined by the
30 latest interim year population estimates from the Montana department of commerce as supplied by the United

1 States bureau of the census.

2 (v) In each fiscal year, the amount of the entitlement share pool ~~not represented by~~ before the growth
3 amount or adjustments made under subsection (6) are applied is to be distributed to each local government in
4 the same manner as the entitlement share pool was distributed in the prior fiscal year.

5 (6) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,
6 the department shall determine the reimbursement amount as provided in the enactment and add the appropriate
7 amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal
8 year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool.
9 The ratio of each local government's distribution from the entitlement share pool must be recomputed to
10 determine each local government's ratio to be used in the subsequent year's distribution determination under
11 subsections (5)(b)(ii)(A), (5)(b)(iii)(A), and (5)(b)(iv)(A).

12 ~~(6)(7)~~ (a) If a A tax increment financing district ~~was not in existence during the fiscal year ending June~~
13 ~~30, 2000, then the tax increment financing district~~ is not entitled to any block grant funding except as provided
14 in [section 1] and this subsection (7). If a tax increment financing district referred to in [section 1(4)(c)] or
15 subsection ~~(6)(b)~~ (7)(b)(i) of this section terminates, then the block grant funding for the district provided for in
16 subsection ~~(6)(b)~~ (7)(b)(i) or (7)(b)(ii) terminates.

17 (b) ~~(i) One-half~~ Except for the reimbursement made under [section 1(4)(b)], one-half of the payments
18 provided for in [section 1(4)(a)] and this subsection ~~(6)(b)~~ (7)(b)(i) must be made by November 30 and the other
19 half by May 31 of each year. Subject to subsection ~~(6)(a)~~ (7)(a), the entitlement share for tax increment financing
20 districts is as follows:

21	Cascade	Great Falls - downtown	\$468,966
22	Deer Lodge	TIF District 1	3,148
23	Deer Lodge	TIF District 2	3,126
24	Flathead	Kalispell - District 1	758,359
25	Flathead	Kalispell - District 2	5,153
26	Flathead	Kalispell - District 3	41,368
27	Flathead	Whitefish District	164,660
28	Gallatin	Bozeman - downtown	34,620
29	Lewis and Clark	Helena - #2	731,614
30	Missoula	Missoula - 1-1B & 1-1C	1,100,507 <u>250,279</u>

1	Missoula	Missoula - 4-1C	33,343
2	Silver Bow	Butte - uptown	283,801
3	Yellowstone	Billings	436,815

4 (ii) Except for the reimbursement made under [section 1(4)(b)] and subject to subsection (7)(a) of this
 5 section, the payments provided for in [section 1(4)(a)] to tax increment financing districts listed in [section
 6 1(4)(c)(i)] and tax increment financing districts referred to in [section 1(4)(c)(ii)] must be made at the same times
 7 as provided in subsection (7)(b)(i) of this section.

8 ~~(7)(8)~~ The estimated ~~base~~ fiscal year entitlement share pool and any subsequent entitlement share pool
 9 for local governments do not include revenue received from tax increment financing districts, from countywide
 10 transportation block grants, or from countywide retirement block grants.

11 ~~(8) (a) If revenue that is included in the sources listed in subsections (1)(b) through (1)(c) is significantly~~
 12 ~~reduced, except through legislative action, the department shall deduct the amount of revenue loss from the~~
 13 ~~entitlement share pool beginning in the succeeding fiscal year and the department shall work with local~~
 14 ~~governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of~~
 15 ~~revenue.~~

16 ~~—— (b) For the purposes of subsection (8)(a), a significant reduction is a loss that causes the amount of~~
 17 ~~revenue received in the current year to be less than 95% of the amount of revenue received in the base year.~~

18 (9) A three-fifths vote of each house of the legislature is required to reduce the amount of the entitlement
 19 share calculated pursuant to subsections (1) through (3).

20 (10) When there has been an underpayment of a local government's share of the entitlement share pool,
 21 the department shall distribute the difference between the underpayment and the correct amount of the
 22 entitlement share. When there has been an overpayment of a local government's entitlement share, the local
 23 government shall remit the overpaid amount to the department.

24 (11) A local government may appeal the department's estimation of the base ~~year~~ component, the
 25 entitlement share pool growth rate, or a local government's allocation of the entitlement share pool, according
 26 to the uniform dispute review procedure in 15-1-211.

27 (12) A payment required pursuant to this section may not be offset by a debt owed to a state agency by
 28 a local government in accordance with Title 17, chapter 4, part 1."

29

30 **Section 4.** Section 15-6-138, MCA, is amended to read:

"15-6-138. Class eight property -- description -- taxable percentage. (1) Class eight property

includes:

(a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;

(b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies except those included in class five under 15-6-135;

(c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools that are not exempt under 15-6-219, and supplies except those included in class five;

(d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors as provided in 15-6-220, and supplies except those included in class five;

(e) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class;

(f) special mobile equipment as defined in 61-1-101;

(g) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(h) x-ray and medical and dental equipment;

(i) citizens' band radios and mobile telephones;

(j) radio and television broadcasting and transmitting equipment;

(k) cable television systems;

(l) coal and ore haulers;

(m) theater projectors and sound equipment; and

(n) all other property that is not included in any other class in this part, except that property that is subject to a fee in lieu of a property tax.

(2) As used in this section, the following definitions apply:

(a) ~~Coal~~ "Coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

1 ~~(3)~~ (b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or
2 service, wholesale, retail, or food-handling business.

3 ~~(4)~~(3) Class eight property is taxed at 3% of its market value.

4 ~~(5)~~(4) (a) ~~The~~ Subject to subsection (4)(b), the class eight property of ~~a person~~ an individual or business
5 entity that owns ~~an aggregate of \$20,000~~ class eight property with an aggregate market value of \$150,000 or less
6 ~~in market value of class eight property~~ is exempt from taxation.

7 (b) (i) Multiple exemptions may not be claimed by multiple entities that are functionally a single business.
8 The department shall, by rule, establish reporting requirements that will prevent multiple business entities from
9 being formed or used to obtain multiple exemption thresholds for what are functionally single businesses. The
10 rules must require a unique taxpayer identification number for each individual and entity and may require the
11 taxpayer identification numbers of an entity's shareholders, owners, partners, members, beneficiaries, and officers
12 to allow the department to track exemptions of all individuals and entities.

13 (ii) It is unlawful for an employee of the department to divulge or otherwise make known a taxpayer
14 identification number furnished pursuant to or included in a statement required to be filed under this section. A
15 person who violates the provisions of this subsection (4)(b) is subject to 15-30-303.

16 (iii) Whenever one member of a firm or one of the proper officers of a corporation has made a statement
17 showing the property of the firm or corporation, another member of the firm or another officer is not required to
18 include the property in that person's statement, but the statement must show the name of the person or officer
19 who made the statement in which the property is included.

20 (iv) The fact that a statement or tax identification number is not required or that a person has not made
21 a statement, under oath or otherwise, does not relieve the person's property from taxation."

22
23 **Section 5.** Section 15-10-420, MCA, is amended to read:

24 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a
25 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount
26 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3
27 years. The maximum number of mills that a governmental entity may impose is established by calculating the
28 number of mills required to generate the amount of property tax actually assessed in the governmental unit in the
29 prior year based on the current year taxable value, less the current year's value of newly taxable property, plus
30 one-half of the average rate of inflation for the prior 3 years.

(b) A governmental entity that does not impose the maximum number of mills authorized under subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority carried forward may be imposed in a subsequent tax year.

(c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

(2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly taxable property.

(3) (a) For purposes of this section, newly taxable property includes:

(i) annexation of real property and improvements into a taxing unit;

(ii) construction, expansion, or remodeling of improvements;

(iii) transfer of property into a taxing unit;

(iv) subdivision of real property; and

(v) transfer of property from tax-exempt to taxable status.

(b) Newly taxable property does not include an increase in value that arises because of an increase in the incremental value within a tax increment financing district.

(4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the release of taxable value from the incremental taxable value of a tax increment financing district because of:

(i) a change in the boundary of a tax increment financing district;

(ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

(iii) the termination of a tax increment financing district.

(b) If a tax increment financing district terminates prior to the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment financing district terminates. If a tax increment financing district terminates after the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

(c) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property or as nonqualified agricultural land as described in 15-6-133(1)(c).

(5) Subject to subsection (8), subsection (1)(a) does not apply to:

(a) school district levies established in Title 20; or

(b) the portion of a governmental entity's property tax levy for premium contributions for group benefits excluded under 2-9-212 or 2-18-703.

(6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

(7) In determining the maximum number of mills in subsection (1)(a), the governmental entity;

(a) may increase the number of mills to account for a decrease in reimbursements;

(b) may not increase the number of mills to account for a loss of tax base because of legislative action that is reimbursed as provided by law.

(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes of 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, and 20-25-439. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections. The mill calculation must be established in whole mills. If the mill levy calculation does not result in a whole number of mills, then the calculation must be rounded up to the nearest whole mill.

(9) (a) The provisions of subsection (1) do not prevent or restrict:

(i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

(ii) a levy to repay taxes paid under protest as provided in 15-1-402;

(iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326; or

(iv) a levy for the support of a study commission under 7-3-184.

(b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.

(10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time.

(11) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining ~~the elimination of property~~; new improvements; or newly taxable property in a governmental unit."

1 **Section 6.** Section 17-7-502, MCA, is amended to read:

2 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
3 appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the
4 need for a biennial legislative appropriation or budget amendment.

5 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both
6 of the following provisions:

7 (a) The law containing the statutory authority must be listed in subsection (3).

8 (b) The law or portion of the law making a statutory appropriation must specifically state that a statutory
9 appropriation is made as provided in this section.

10 (3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120;
11 5-11-407; 5-13-403; 7-4-2502; 10-1-1202; 10-1-1303; 10-2-603; 10-3-203; 10-3-310; 10-3-312; 10-3-314;
12 10-4-301; 15-1-121; [section 1]; 15-1-218; 15-23-706; 15-31-906; 15-35-108; 15-36-332; 15-37-117; 15-39-110;
13 15-65-121; 15-70-101; 15-70-369; 15-70-601; 16-11-509; 17-3-106; 17-3-212; 17-3-222; 17-3-241; 17-6-101;
14 17-7-304; 18-11-112; 19-3-319; 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305;
15 19-19-506; 19-20-604; 19-20-607; 19-21-203; 20-8-107; 20-9-534; 20-9-622; 20-9-630; 20-26-1503; 22-3-1004;
16 23-4-105; 23-4-202; 23-4-204; 23-4-302; 23-4-304; 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402;
17 37-43-204; 37-51-501; 39-71-503; 41-5-2011; 42-2-105; 44-1-504; 44-12-206; 44-13-102; 50-4-623; 53-1-109;
18 53-6-703; 53-24-108; 53-24-206; 60-11-115; 61-3-415; 69-3-870; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313;
19 76-13-150; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-5-510; 80-11-518; 82-11-161; 87-1-513; 90-1-115;
20 90-1-205; 90-3-1003; and 90-9-306.

21 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
22 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
23 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana
24 to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state
25 treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory
26 appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion
27 of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is
28 10 years or less; pursuant to sec. 4, Ch. 497, L. 1999, the inclusion of 15-38-202 terminates July 1, 2014;
29 pursuant to sec. 10(2), Ch. 10, Sp. L. May 2000, and secs. 3 and 6, Ch. 481, L. 2003, the inclusion of 15-35-108
30 terminates June 30, 2010; pursuant to sec. 17, Ch. 593, L. 2005, the inclusion of 15-31-906 terminates January

1 1, 2010; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410 terminates upon the death of the last
2 recipient eligible under 19-6-709(2) for the supplemental benefit provided by 19-6-709; and pursuant to sec. 6,
3 Ch. 2, Sp. L. September 2007, the inclusion of 76-13-150 terminates June 30, 2009.)"

4
5 **Section 7.** Section 20-9-406, MCA, is amended to read:

6 **"20-9-406. Limitations on amount of bond issue -- definition of federal impact aid basic support**
7 **payment.** (1) (a) Except as provided in subsection (1)(d), the maximum amount for which an elementary district
8 or a high school district may become indebted by the issuance of general obligation bonds, including all
9 indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants,
10 outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable that are held as
11 general obligations of the district, is 50% of:

12 (i) the taxable value of the property subject to taxation, as ascertained by the last assessment for state,
13 county, and school taxes previous to the incurring of the indebtedness; and

14 (ii) the taxable value of property under 15-6-138 for the tax year multiplied by the growth proxy
15 determined under [section 1(6)].

16 (b) Except as provided in subsection (1)(d), the maximum amount for which a K-12 school district, as
17 formed pursuant to 20-6-701, may become indebted by the issuance of general obligation bonds, including all
18 indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants,
19 outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable that are held as
20 general obligations of the district, is up to 100% of:

21 (i) the taxable value of the property subject to taxation, as ascertained by the last assessment for state,
22 county, and school taxes previous to the incurring of the indebtedness; and

23 (ii) the taxable value of property under 15-6-138 for the tax year multiplied by the growth proxy
24 determined under [section 1(6)].

25 (c) The total indebtedness of the high school district with an attached elementary district is limited to the
26 sum of 50% of the taxable value of the property for elementary school program purposes and 50% of the taxable
27 value of the property for high school program purposes, adjusted as provided in this section.

28 (d) (i) The maximum amount for which an elementary district or a high school district with a district mill
29 value per elementary ANB or per high school ANB that is less than the facility guaranteed mill value per
30 elementary ANB or high school ANB under 20-9-366 may become indebted by the issuance of general obligation

bonds, including all indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants, outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable that are held as general obligations of the district, is 50% of the corresponding facility guaranteed mill value per ANB times 1,000 times the ANB of the district. For a K-12 district, the maximum amount for which the district may become indebted is 50% of the sum of the facility guaranteed mill value per elementary ANB times 1,000 times the elementary ANB of the district and the facility guaranteed mill value per high school ANB times 1,000 times the high school ANB of the district. For the purpose of calculating ANB under this subsection, a district may use the greater of the current year ANB or the 3-year ANB calculated under 20-9-311.

(ii) If mutually agreed upon by the affected districts, for the purpose of calculating its maximum bonded indebtedness under this subsection (1)(d), a district may include the ANB of the district plus the number of students residing within the district for which the district or county pays tuition for attendance at a school in an adjacent district. The receiving district may not use out-of-district ANB for the purpose of calculating its maximum indebtedness if the out-of-district ANB has been included in the ANB of the sending district pursuant to the mutual agreement. For the purpose of calculating ANB under this subsection, a district may use the greater of the current year ANB or the 3-year ANB calculated under 20-9-311.

(2) The maximum amounts determined in subsection (1) do not pertain to indebtedness imposed by special improvement district obligations or assessments against the school district or to general obligation bonds issued for the repayment of tax protests lost by the district. All general obligation bonds issued in excess of the amount are void, except as provided in this section.

(3) The maximum amount of impact aid revenue bonds that an elementary district, high school district, or K-12 school district may issue may not exceed a total aggregate amount equal to three times the average of the school district's annual federal impact aid basic support payments for the 5 years immediately preceding the issuance of the bonds. However, at the time of issuance of the bonds, the average annual payment of principal and interest on the impact aid bonds each year may not exceed 35% of the total federal impact aid basic support payments of the school district for the current year.

(4) When the total indebtedness of a school district has reached the limitations prescribed in this section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis in accordance with the financial administration provisions of this chapter.

(5) Whenever bonds are issued for the purpose of refunding bonds, any money to the credit of the debt service fund for the payment of the bonds to be refunded is applied toward the payment of the bonds and the

1 refunding bond issue is decreased accordingly.

2 (6) As used in this part, "federal impact aid basic support payment" means the annual impact aid revenue
3 received by a district under 20 U.S.C. 7703(b) but excludes revenue received for impact aid special education
4 under 20 U.S.C. 7703(d) and impact aid construction under 20 U.S.C. 7707."

5
6 **Section 8.** Section 20-9-407, MCA, is amended to read:

7 **"20-9-407. Industrial facility agreement for bond issue in excess of maximum.** (1) In a school district
8 within which a new major industrial facility that seeks to qualify for taxation as class five property under 15-6-135
9 is being constructed or is about to be constructed, the school district may require, as a precondition of the new
10 major industrial facility qualifying as class five property, that the owners of the proposed industrial facility enter
11 into an agreement with the school district concerning the issuing of bonds in excess of the 50% limitation, as
12 adjusted, prescribed in 20-9-406. Under an agreement, the school district may, with the approval of the voters,
13 issue bonds that exceed the limitation prescribed in this section by a maximum of 50% of the estimated taxable
14 value of the property of the new major industrial facility subject to taxation when completed. The estimated taxable
15 value of the property of the new major industrial facility subject to taxation must be computed by the department
16 of revenue when requested to do so by a resolution of the board of trustees of the school district. A copy of the
17 department's statement of estimated taxable value must be printed on each ballot used to vote on a bond issue
18 proposed under this section.

19 (2) Pursuant to the agreement between the new major industrial facility and the school district and as
20 a precondition to qualifying as class five property, the new major industrial facility and its owners shall pay, in
21 addition to the taxes imposed by the school district on property owners generally, as much of the principal and
22 interest on the bonds provided for under this section as represents payment on an indebtedness in excess of the
23 limitation prescribed in 20-9-406. After the completion of the new major industrial facility and when the
24 indebtedness of the school district no longer exceeds the limitation prescribed in this section, the new major
25 industrial facility is entitled, after all the current indebtedness of the school district has been paid, to a tax credit
26 over a period of no more than 20 years. The credit must as a total amount be equal to the amount that the facility
27 paid the principal and interest of the school district's bonds in excess of its general liability as a taxpayer within
28 the district.

29 (3) A major industrial facility is a facility subject to the taxing power of the school district, whose
30 construction or operation will increase the population of the district, imposing a significant burden upon the

resources of the district and requiring construction of new school facilities. A significant burden is an increase in ANB of at least 20% in a single year."

Section 9. Section 20-9-630, MCA, is amended to read:

"20-9-630. School district block grants -- appropriation. (1) (a) The office of public instruction shall provide a block grant to each school district based on:

(i) the revenue received by each district in fiscal year 2001 from vehicle taxes and fees, corporate license taxes paid by financial institutions, aeronautics fees, state land payments in lieu of taxes, and property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999; and

(ii) any reimbursement to be made to a school district pursuant to subsection (2).

(b) Block grants must be calculated using the electronic reporting system that is used by the office of public instruction and school districts. The electronic reporting system must be used to allocate the block grant amount into each district's budget as an anticipated revenue source by fund.

~~(c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount actually received from the sources listed in subsection (1)(a) in fiscal year 2001 in its calculation of the block grant for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall use 93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.~~

~~(2) If the fiscal year 2003 appropriation provided in section 248(1), Chapter 574, Laws of 2001, is insufficient to fund the school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of public instruction shall prorate the block grants to meet the remaining appropriation. School districts shall anticipate the prorated block grant amounts provided by the office of public instruction in their budgets for fiscal year 2003.~~

(2) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section, the office of public instruction shall determine the reimbursement amount as provided in the enactment and add the appropriate amount to block grant distributions under this section. The total of reimbursement distributions made pursuant to this subsection in a fiscal year must be added to all other distributions to the school district in the fiscal year to determine the distribution for the subsequent fiscal year. The block grant percentage increases in subsections (4)(a) through (4)(c) do not apply to reimbursements made under this subsection for the fiscal year of the first reimbursement but do apply to the block grant amounts in subsequent fiscal years that incorporate reimbursements added in previous fiscal years. For the purpose of this subsection, the fiscal year of the first

1 reimbursement does not include the fiscal year in which the reimbursement under [section 1(3)(b)] is made.

2 (3) Each year, 70% of each district's block grant must be distributed in November and 30% of each
3 district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

4 (4) (a) The block grant for the district general fund is equal to the ~~average~~ amount received in fiscal years
5 ~~2002 and 2003~~ year 2010, except for the amount received under [section 1(3)(b)], by the district general fund from
6 the block grants provided for in ~~subsection~~ subsections (1) and (2). ~~The~~ Except as provided in subsection (2), the
7 block grant must be increased by 0.76% in fiscal year ~~2004~~ 2011 and in each succeeding fiscal year.

8 (b) The block grant for the district transportation fund is equal to ~~one-half of the average~~ amount received
9 in fiscal years ~~2002 and 2003~~ year 2010, except for the amount received under [section 1(3)(b)], by the district
10 transportation fund from the block grants provided for in ~~subsection~~ subsections (1) and (2). ~~The~~ Except as
11 provided in subsection (2), the block grant must be increased by 0.76% in fiscal year ~~2004~~ 2011 and in each
12 succeeding fiscal year.

13 (c) (i) The combined fund block grant is equal to the ~~average~~ amount received in fiscal years ~~2002 and~~
14 ~~2003~~ year 2010, except for the amount received under [section 1(3)(b)], by the district tuition, bus depreciation
15 reserve, building reserve, nonoperating, and adult education funds from the block grants provided for in
16 ~~subsection~~ subsections (1) and (2). ~~The~~ Except as provided in subsection (2), the block grant must be increased
17 by 0.76% in fiscal year ~~2004~~ 2011 and in each succeeding fiscal year.

18 (ii) The school district may deposit the combined fund block grant into any budgeted fund of the district.

19 (5) The funding for block grants provided for in this section is statutorily appropriated, as provided in
20 17-7-502, from the general fund to the office of public instruction for distribution to school districts."

21
22 NEW SECTION. Section 10. Repealer. Section 15-1-112, MCA, is repealed.

23
24 NEW SECTION. Section 11. Notification to tribal governments. The secretary of state shall send
25 a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
26 Chippewa tribe.

27
28 NEW SECTION. Section 12. Codification instruction. [Section 1] is intended to be codified as an
29 integral part of Title 15, chapter 1, part 1, and the provisions of Title 15, chapter 1, part 1, apply to [section 1].

NEW SECTION. **Section 13. Saving clause.** [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act].

NEW SECTION. **Section 14. Contingent voidness.** If [LC 1247], [LC 1618], [LC 1619], [LC 1623], [LC 1624], Senate Bill No. 211, and decision package 9000 amending House Bill No. 2 for the partial funding of the business equipment tax reduction are not passed and approved, then [this act] is void.

NEW SECTION. **Section 15. Effective date.** [This act] is effective January 1, 2010.

NEW SECTION. **Section 16. Applicability.** [This act] applies to property tax years beginning after December 31, 2009.

- END -